

Message Text

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PAGE 01 TOKYO 00338 100738Z

15

ACTION TRSE-00

INFO OCT-01 EA-06 ISO-00 SP-02 AID-05 EB-07 NSC-05 RSC-01

CIEP-01 SS-15 STR-01 OMB-01 CEA-01 L-02 CIAE-00

COME-00 EUR-12 FRB-01 INR-07 IO-10 NEA-09 NSAE-00

OPIC-03 LAB-04 SIL-01 H-01 /096 W

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FM AMEMBASSY TOKYO

TO SECSTATE WASHDC PRIORITY 7199

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E.O. 11652: N/A

TAGS: EFIN, JA

SUBJ: IDB NON-REGIONAL MEMBERSHIP

PASS TREASURY FOR DEPUTY ASSISTANT SECRETARY BUSHNELL

REF: STATE 3602

1. SUMMARY: AS REQUESTED, CONTENTS OF REFTEL DISCUSSED WITH MOFA AND MOF. BOTH MINISTRIES UNABLE TO GIVE IMMEDIATE REPLY TO USG PROPOSALS CITING NEED FOR FURTHER "STUDY." CONTRARY TO TREASURY IMPRESSION FINATT FOUND MOFA TO HAVE GOOD UNDERSTANDING OF U.S. PROPOSALS AND RELATIVELY FEW PROBLEMS. ON OTHER HAND, MOF REPEATEDLY STRESSED NEED FOR FURTHER INFORMATION AND STUDY BEFORE FIRM DECISION COULD BE MADE. FINATT EFFORT TO GET ACCEPTANCE OF U.S. PROPOSALS HANDICAPPED BY LACK OF KNOWLEDGE OF FULL DETAILS OF U.S. PROPOSALS AS WELL AS PREVIOUS BILATERAL DISCUSSIONS. MOFA AND MOF OFFICIALS WOULD WELCOME OPPORTUNITY FOR FUTHER DISCUSSION OF SUBJECT IN WASHINGTON ON JAN 16 WITH DEPUTY ASST SEC BUSHNELL OR SENIOR TREASURY OFFICIALS. SUGGEST CONTACT BE MADE THROUGH JAPANESE EMBASSY. END SUMMARY.

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PAGE 02 TOKYO 00338 100738Z

WM NON-DISCRIMINATORY FEATURE (PARA 4 REFTEL) CONSIDERED

OF LITTLE VALUE BY MOF OFFICIAL (SAWANO) SINCE IT IS UN-
LIKELY THAT NON-REGIONAL COUNTRIES (NRCS) WOULD EVER WISH
TO SUBSCRIBE TO ORDINARY CAPITAL (OC). MOFA OFFICIAL
HAMAMOTOL, ON OTHER HAND, RECOGNIZING THAT POINT, CON-
SIDERED USG ALTERNATIVE PROPOSAL OF SYMMETRY CONSTRUCTIVE
AND ONE WHICH ALL COUNTRIES COULD USE IN DEALING WITH
THEIR LEGISLATURES.

3. TENTATIVE DECISION ON U.S. CAPITAL SUBSCRIPTION
(PARA 5 REFTEL) EVIDENTLY CAME AS NO SURPRISE TO MOFA
OFFICIAL WHO WONDERED WHY USG NOT PLANNING TO SUBSCRIBE
100 PERCENT TO IRC. MOF VERY PLEASED TO OBTAIN TENTATIVE
U.S. DECISION BUT BEFORE MINISTRY CAN GIVE REACTION IT
MUST KNOW "TERMS" OF U.S. SUBSCRIPTION. SAWANO REPEATED
SEVERAL TIMES THAT MOF WOULD FIRST HAVE TO STUDY FULL
DETAILS REGARDING SUBSTITUTION BETWEEN OC AND IRC, INCLUD-
ING AMOUNTS AND BREAKDOWN BETWEEN PAID-IN, CALLABLE AND
FSO. FINATT IMPRESSION IS THAT MOF AND MOFA STILL CON-
CERNED THAT SUBSTITUTION OF CAPITAL SUBSCRIPTIONS BY
REGIONAL MEMBERS CAN DILUTE RIGHTS OF NON-REGIONAL MEM-
BERS. FOCUS OF THOUGHT IS NOT ON RIGHTS WITH RESPECT TO
TOTAL IDB CAPITAL BUT ONLY ON RIGHTS WITH RESPECT TO IRC.

4. WAIVER OF PREEMPTIVE RIGHTS (PARA 3 REFTEL) WAS ALSO
OF CONCERN TO MOF WHICH BELIEVED NRCS SHARE MIGHT GO
ABOVE 8 PERCENT FOR SHORT PERIOD. FINATT STRESSED THAT
PERHAPS OPERATIVE WORD IN U.S. PROPOSED AMENDMENTS WAS
"AUTOMATIC." MOF OFFICIAL THEN WONDERED HOW AUTOMATICITY
WOULD BE ACHIEVED AND SPECIFICALLY WHAT CHANGES WOULD BE
MADE. MOF OFFICIAL SAID THAT PROPOSED CHANGES IN RULE
7(B) WERE GENERALLY ACCEPTABLE BUT THAT PROPOSED CHANGES
IN RULE 7(A)(III) CREATED BIGGEST PROBLEM FOR MOF.

5. MON ON FSO SHOULD BE SUSPENDED FOR TIME BEING ACCORD-
ING TO MOF OFFICIAL WHO BELIEVES USG HOLDS SIMILAR VIEWS.
OFFICIAL CONSIDERES THIS COULD BE ACHIEVED WITHOUT CHANG-
ING AGREEMENT IF SAME ROUTE IS USED AS IN IDA (I.E.
MERELY THROUGH RESOLUTION OF GOVERNORS).

6. MOFA OFFICIAL HAD SPECIFIC HYPOTHETICAL QUESTION
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PAGE 03 TOKYO 00338 100738Z

WHICH HE HOPED BUSHNELL COULD ANSWER: IF USG SUBSCRIBED
CALLABLE CAPITAL TO IRC (WHICH HAD NOT BEEN APPROPRIATED
BY CONGRESS) AND IN EVENT IRC CAPITAL WOULD HAVE TO BE
CALLED (TO PAY OFF IDB BORROWING), WOULD NRCS HAVE TO
BEAR ENTIRE BURDEN UNTIL APPROPRIATIONS WERE VOTED
BY U.S. CONGRESS?

7. NOW THAT NRCS HAVE SIGNED DECLARATION AT MADRID,

GOJ OFFICIALS APPEARED A LITTLE LESS WILLING TO CONTINUE BILATERAL TALKS WITH U.S. AND MORE ANXIOUS TO WORK DIRECTLY WITH IDB ALONG WITH DELEGATES OF OTHER NRCS. OFFICIALS STRESSED THEY WERE AWAITING REPORT FROM IDB MANAGEMENT. OFFICIALS DID RECOGNIZE CONTINUING NEED FOR U.S.-CANADIAN BILATERAL TALKS TO OBTAIN CANADA'S CONSENT TO SUBSTITUTE IRC FOR OC IN ORDER TO GET AROUND RESTRICTIONS ON BOND COVENANT (MENTIONED IN PARA 2 REFTEL).

8. COMMENTS: FINATT BELIEVES WASHINGTON DISCUSSIONS WITH MOFA OFFICIAL HAMAMOTO ON JAN 16 COULD WELL RESOLVE MOST PROBLEMS MOFA MAY HAVE WITH U.S. PROPOSALS. HAMAMOTO WILL, HOWEVER, BE PARTICIPATING IN DISCUSSIONS OF DEVELOPMENT COMMITTEE SO THAT DISCUSSION TIME MAY BE SHORT. MOF OFFICIAL SAWANO APPEARS TO BE MAIN STUMBLING BLOCK IN GOJ ACCEPTANCE OF U.S. PROPOSALS. SAWANO MAY HAVE MORE FREE TIME FOR DISCUSSION WITH TREASURY OFFICIALS SINCE HE WILL BE LEAVING THIS WEEKEND AND NOT PARTICIPATING IN DEVELOPMENT COMMITTEE TALKS.
HODGSON

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